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SUBJECT: MORE FRUSTRATION ON FTA IMPLEMENTATION PROCESS
FROM OMANI COMMERCE MINISTER

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b and d)

¶1. (C) DCM, Econoff, and USTR consultant Jennifer Hillman on May 5 reviewed the outstanding issues related to the implementation of the U.S.-Oman Free Trade Agreement (FTA) with Commerce and Industry Minister Maqbool bin Ali Sultan. Maqbool welcomed former USTR General Counsel Hillman to Muscat, noting that her visit represented an "opportunity to discuss and resolve the remaining issues."

¶2. (C) Reminiscing about his initial conversations on becoming an FTA partner, Maqbool remarked that former Assistant USTR Catherine Novelli encouraged Oman to begin FTA negotiations with the U.S. Maqbool complained that since then, FTA-related discussions have been "never-ending," despite the Omani government's \$3 million investment in Washington lawyers' fees. He acknowledged that there have been "delays and mistakes on our part," but felt that USTR was not being consistent with its list of outstanding issues. "I want to be fair with both sides," mused Maqbool. "However, the Omani cabinet feels that America is unfair. When I go to the cabinet, I feel like I become America's lawyer."

¶3. (C) Maqbool noted that the first item the sides should agree on now is a list of remaining issues that would serve as the basis for final negotiations. On intellectual property rights (IPR), Maqbool expressed his general opinion that fellow FTA partner Bahrain had been treated more favorably than Oman, offering his view that USTR recognized that Bahrain would need more time to implement its IPR commitments after the kingdom's FTA entered into force. To this end, Maqbool sought a one-year transition period to implement its IPR regulations. "This is not a big issue," concluded Maqbool. The Minister also commented that it appeared to him that USTR was inconsistent on its demands for Oman's compliance with the FTA, citing as an example his perception that the U.S. was reopening Article 6. "The U.S. is not a Third World country," stated Maqbool. "For USTR to change its position, it shouldn't happen." To promote closure of IPR issues, Maqbool mentioned that his Ministry was read to issue new copyright and industrial property laws, along with associated regulations.

¶4. (C) Maqbool identified several issues where he would not have the latitude to make amendments. On customs, the Minister stated, "We cannot change the customs union, as the Gulf Cooperation Council (GCC) Agreement is an agreement." On Omanization, Maqbool remarked that Oman would not be able to change the law to satisfy USTR's request that U.S. companies be exempted from such requirements, but reassured that Oman would uphold its FTA commitments via a royal decree

passed to ensure that FTA provisions would trump existing Omani legislation.

¶5. (C) On other issues, such as telecom and government procurement, Maqbool projected that new laws would be enacted before the FTA's implementation, and would be "more than what Bahrain had done before its implementation." He stated that since Oman was, in his view, about 99% complete in complying with the FTA, "Let us issue our new laws, and during the course of the year, we will institute amendments as needed." The Minister stated that companies were ready to take advantage of the FTA in terms of tariff savings and secure investment provisions, but that he could not promote the Agreement due to the uncertainty over the implementation process.

¶6. (C) Comment. This most recent meeting with Maqbool reinforced our perception that an information gap exists between the Minister and his over-stretched and inexperienced working-level staff on where the two sides stand on the respective outstanding issues; both teams have been working off a USTR-generated list of remaining items for the past several months. Despite the Minister's often-heard complaints, the meeting served as a productive start to Hillman's visit, which will include meetings with the Ministry of Commerce and Industry's IPR and textiles staff, the Telecommunications Regulatory Authority, Royal Oman Police - Customs, Ministry of Legal Affairs, Ministry of Health, and Oman's Tender Board. Hillman will meet again with Maqbool on May 9 to review the progress made during her week-long visit and recap what issues remain pending. End Comment.
GRAPPO